

Message Text

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C O N F I D E N T I A L MOSCOW 03690

E.O.11652:GDS
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SUBJECT: PLANNING SOVIET FOREIGN TRADE

1. DURING MARCH 3 MEETING OF ECONOMIC/COMMERCIAL COUNSE-
LORS OF FIVE MAJOR WESTERN EMBASSIES IN MOSCOW, GERMAN
REPRESENTATIVE MENTIONED HAVING HEARD REPORT OF A RECENT
CHANGE IN SYSTEM OF COUNTRY PLANNING OF FOREIGN TRADE BY
USSR. WHEREAS COUNCIL OF MINISTERS HAD FORMERLY PERFORMED
FUNCTION OF ALLOCATING PROJECTS AND NECESSARY FUNDING BY
COUNTRIES, THIS ROLE WOULD NOW BE ASSUMED BY MINISTRY OF
FOREIGN TRADE. IT WOULD START WITH MAJOR SUB-DIVISIONS OF
CONVERTIBLE CURRENCY, CLEARING AND TRANSFERABLE RUBLE TRADE
PARTNERS AND THEN ALLOCATE PROJECTS ON COUNTRY-BY-COUNTRY
BASIS.

2. ITALIAN COUNSELOR COMMENTED THAT SOVIETS STILL HAVE A
VERY STRONG BIAS FOR BILATERAL ORIENTATION OF FOREIGN
TRADE, ASSIGNING TO EACH FOREIGN COUNTRY A SHARE OF THE
SOVIET MARKET WHICH IS ROUGHLY IN EQUIVALENCE WITH PROS-
PECTIVE SOVIET EXPORTS. DESPITE SOME LIP SERVICE TO THE
ACKNOWLEDGED CLASSIC ADVANTAGES OF MULTILATERAL TRADE ON
PART OF SOVIETS, HE THOUGHT THE SOVIET TRADE BUREAUCRACY I
IS CLEARLY THE MOST COMFORTABLE WITH BILATERAL BALANCING.
ITALIAN COUNSELOR ALSO STATED THAT ONCE AN INTERNAL
ALLOCATION OF FUNDS FOR PURCHASE FROM A CERTAIN COUNTRY HAS
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PAGE 02 MOSCOW 03690 061343Z

BEEN MADE, IT IS ALMOST IMPOSSIBLE TO TURN IT IN FAVOR OF
ANOTHER COUNTRY.

3. COMMENT: WE REPORT THIS INFORMATION AS RECEIVED,
BUT WE ARE SKEPTICAL ABOUT THE REPORT. WE HAVE NOT HEARD
OF ANY DEVOLUTION OF AUTHORITY FROM THE COUNCIL OF
MINISTERS TO THE MINISTRY OF FOREIGN TRADE FOR COUNTRY-BY-

COUNTRY ALLOCATIONS. IN VIEW OF THE TENDENCY TO BILATERALISM WHICH MARKS SOVIET PRACTICE, THIS WOULD APPEAR TO MEAN A CONSIDERABLE STRENGTHENING OF THE MINISTRY OF FOREIGN TRADE AT A TIME WHEN WE HAVE GENERALLY HEARD THAT ITS AUTHORITY IS BEING CLIPPED. FURTHERMORE, THERE ARE A NUMBER OF OTHER AGENCIES, PARTICULARLY GOSPLAN, WHICH CLAIM TO BE INVOLVED IN THE PROCESS AND WHICH WOULD NOT WISH TO SEE SUCH AUTHORITY GIVEN TO MFT.

4. WHILE IT IS DIFFICULT TO PROVIDE COMMENT ON A SUBJECT WHERE SO MANY OF THE FACTS ARE NEVER FULLY DISCLOSED, THE MINISTRY OF FOREIGN TRADE HAS ALWAYS LAID CLAIM TO CONSIDERABLE INFLUENCE OVER THE ALLOCATION OF FOREIGN TRADE PROJECTS. IT IS IN THIS CONTEXT THAT MFT PERSONNEL SPEAK SO FREQUENTLY OF TRADE WHICH THE UNITED STATES HAS "LOST" DUE TO LACK OF OFFICIAL CREDIT. OFFICIALS HAVE EXPLAINED THIS AS PROJECTS WHICH HAD ORIGINALLY BEEN EARMARKED FOR AMERICAN SELLERS BUT WHICH HAD SUBSEQUENTLY BEEN DIVERTED TO THIRD COUNTRIES. TOON

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